

IN THE CHANCERY COURT OF JACKSON COUNTY, MISSISSIPPI

IN RE: Lay et al. v. Singing River Health System et al. CAUSE NO. 30CH1:15-cv-00060

THE SPECIAL FIDUCIARY'S MOTION FOR ENTRY OF AN ORDER APPROVING  
(1) ADDITIONAL CHANGES TO THE PLAN'S INVESTMENT POLICY STATEMENT,  
AND (2) REVISED FEES FOR ADMINISTRATIVE AND ACTUARIAL SERVICES

Traci M. Christian, Special Fiduciary of the Singing River Health System Employees' Retirement Plan and Trust (the "Plan"), moves the Court for entry of an order approving (1) additional changes to the Plan's Investment Policy Statement (the "IPS"), and (2) revised fees for the Plan's administrative and actuarial services provided by MCG Consulting Group ("MCG").

In support thereof, the Special Fiduciary would show the Court the following:

THE IPS

1. By order entered on June 23, 2018, the Court approved changes to the positioning of Plan assets with the goal of increasing returns, mitigating investment risk, and reducing fees. By order entered on August 21, 2018, the Court approved an amendment to Exhibit A of the IPS.

2. The Special Fiduciary has conferred with the Plan's independent investment advisors and drafted changes to the IPS for the Court's consideration. The proposed draft is attached hereto in red-line form as Exhibit A, which includes language to make the management of the fund easier to understand and, if necessary, to modify in the future with minimal need for repeated motions.

More specifically as follows:

1. Removed Exhibit C to the IPS as it is no longer needed.
2. Exhibit B — Asset Allocation and Allowable Ranges around Target.
  - A. Adjustments of some of the policy benchmarks to reflect availability of the underlying indices and to reduce complexity.

(1) Cash Equivalent — Added the T-Bill index since there was no policy benchmark.

(2) High Yield — Changed from Bank of America to Bloomberg benchmark.

(3) Global Macro — Changed from Barclay Global Macro to Global Hedge Fund Index (HFRI).

B. Consolidated Bank Loans into the High Yield line since both are High Yield and removed the line Bank Loans/Direct Lending.

(1) Had a zero target, so added minimum and maximum.

C. Consolidated International Small Cap (3% target) into International Developed (9% target) and moved the 3% target allocation of International Small Cap to International Developed for a total of 12%.

D. Deleted the line for Distressed Securities since there is no plan to allocate to this asset class.

(1) Had a zero target, so added minimum and maximum.

E. Timberland — Changed from NCREIT Timber to Global Hedge Fund Index (HFRI).

#### FEES FOR ADMINISTRATIVE AND ACTUARIAL SERVICES

1. By order entered on June 23, 2018, the Court approved McCloud & Associates (now, MCG) as the Plan administrator and actuary. The Special Fiduciary has done her best to provide Plan participants with the most cost-effective services.

2. The fees for administrative and actuarial services are separate and distinct from the fees paid to the Special Fiduciary for her services. The amount of the fees paid to both were set over six years ago.

3. MCG, like its competitors, has experienced overhead cost increases over the past six years which require revisiting the fees charged for such administrative and actuarial services. It

is common in the industry to do so every three to five years.

4. Over the past six years, the Consumer Price Index has increased 26%. MCG, which is owned by the Special Fiduciary, proposes a one-time fee increase of 15% to become effective on October 1, 2024, for the administrative and actuarial services it provides to the Plan. The increased fees would be good for five years.

5. The Special Fiduciary believes that with this increase, the fees charged for these services to the Plan are extremely competitive for the industry and are significantly less than the fees that were being charged the Plan by its previous provider.

Wherefore, premises considered, the Special Fiduciary prays for entry of an order granting the relief requested in this motion.

Respectfully submitted, this 5th day of September, 2024.

/s/ Charles J. Mikhail  
CHARLES J. MIKHAIL  
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CERTIFICATE OF SERVICE

Undersigned counsel certifies that he has this day served a copy of the foregoing motion on all counsel of record by way of the court's electronic filing system (MEC) and on counsel for interested parties by electronic mail:

Harvey Barton  
Cal Mayo  
Jim Reeves  
Brett Williams

This the 5th day of September, 2024.

/s/ Charles J. Mikhail

CHARLES J. MIKHAIL

Investment Policy  
of the  
Singing River Health System Employees'  
Retirement Plan and Trust

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## Investment Policy Contents

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### Appendix

Exhibit A: Specific Portfolio Constraints

Exhibit B: Asset Allocation and Allowable Ranges around Target

Deleted: Exhibit C: Manager Supplement

## Introduction

This document refers to the Singing River Health System Employees' Retirement Plan and Trust (the Plan and Trust) and the fund from which benefits are paid to its beneficiaries. The Trust was established in 1983 to provide retirement benefits for employees of the Singing River Health System (SRHS). Originally, the plan was an employer-directed defined benefit plan. The SRHS Board of Trustees appointed Plan Trustees to oversee the Plan and Trust. On October 19, 2015, by order of the Chancery Court of Jackson County, Mississippi (the Court), a Special Fiduciary was appointed to take possession of the Trust property and to administer the Trust, including all plan assets and property. The Special Fiduciary is the Plan's sole trustee and is granted all power and authority prescribed by the Trust and consistent with the *Mississippi Uniform Trust Code, Miss Code Ann. § 91-8-101, et seq.*

This document is intended to serve as a reference tool, operating investment guidelines, and a communications link between the Plan and Plan Trustee and:

- The Plan's investment managers,
- The Plan's investment advisor and
- The Plan's other professional advisors

This document records the Special Fiduciary's logical and diligent process of study, examination, evaluation and conclusions about the most suitable combination of investment risk level and rate of return objectives which will satisfy both the Plan's present and future benefits obligations and the Trust's ongoing ability to fund them.

This policy document establishes the specific guidelines for action, and also conveys the philosophical foundations for those guidelines.

## Plan Overview

The Plan is a defined benefit pension plan, which bases its benefits upon an employee's highest average quarterly compensation from SRHS for the 19 consecutive quarters, plus the last quarter of employment during the last 40 consecutive quarters of employment. An employee's number of years of service also determines his or her retirement benefit. Accrued benefits in the Plan were frozen effective December 5, 2014. No new benefits will be earned after that date. All benefits under the Plan were reduced by 25% in May of 2018 by order of the Court. The Court has further ordered that the funded status of the Plan remain within a corridor of 90% to 110% funded. Benefit amounts may be further revised under order of the Court if the funded status of the Plan falls outside of this range.

### Taxation

The Plan has qualified for exemption pursuant to Section 401(a) of the Internal Revenue Code as a governmental plan. As such, the Plan's investment returns are not subject to current income taxation.

### Funding Resources and Obligations

The Plan's contribution resources previously came from employer contributions made by SRHS and from mandatory employee contributions of 3% of annual compensation, up to the limits established by Federal regulations. Currently SRHS is making annual contributions to the Plan in accordance with the finalized legal settlement.

### Liquidity Needs

The Special Fiduciary and the professional advisors expect to periodically review and update their understanding of the Plan's forecasts of cash disbursement for Plan benefits and expenses, so that the elements and time horizon(s) of the Plan's investment program can be adjusted, as needed and appropriate for that context.



## Roles and Responsibilities

The Court has delegated certain responsibilities, as outlined in the Plan document, for the Plan described here to the Special Fiduciary, who recommends and implements the investment policy with regard to asset allocation, manager and custodian selection and portfolio supervision. The Special Fiduciary reports to the Court regarding the status of the Trust. The Special Fiduciary shall act as a prudent investor respecting that individual assets of the Trust must not be evaluated in isolation, but in the context of the Trust portfolio as a whole and as part of the overall investment strategy having risk and return objectives reasonably suited to the Plan.

### Special Fiduciary Duties with respect to Plan operations and administration

- Ensure the Trust is operated for the exclusive benefit of participants and their beneficiaries taking into account the interest of both the current and future beneficiaries.
- Ensure expenses paid out of the Trust are appropriate and reasonable.
- Ensure Trust assets as accounted for and periodically audited.
- Ensure Trust reports are maintained and periodically reviewed.
- Ensure Trust operation complies with all state and federal laws, and the Plan and Trust documents.
- Refrain from conflicts of interest and prohibited transactions.

### Special Fiduciary Duties with respect to Plan Investments

- Hire and fire investment advisor and/or investment manager(s).
- Establish and maintain the Investment Policy Statement.
- Diversify the investments of the Trust unless the Special Fiduciary determines that the Trust and the beneficiaries would be better served without diversifying.
- Establish and maintain minimum quality and diversification standards for employing investment managers as listed in **Exhibit A**.
- Select, monitor and replace (as necessary) investment managers, insurance contracts and/or any unmanaged investments.
- Approve contracts with investment managers.
- Review performance of investment funds and investment managers, relative to their benchmarks, and appropriate peers at least annually.

- Monitor all fees being paid on plan investments.
- Refrain from conflicts of interest in selecting investment managers.

## Investment Goals

The overall objective of the investment program is to achieve a rate of return in the Trust that, over the long term, will fund the liabilities and provide for the required benefits in a manner that satisfies the fiduciary requirements of the Plan.

The Special Fiduciary recognizes that financial markets are cyclical and that:

- the beginning points, ending points and magnitude of market cycles cannot be predicted; and
- there is no relationship between market cycles and calendar or other time periods commonly used for performance measurement and evaluation.

The long-range goals (greater than 5 years) of this investment plan are to:

1. Meet the pension benefit obligations to the Plan participants
2. Exceed the return of a Policy Benchmark comprised of the appropriate market indexes reflecting the Plan's asset allocation (see **Exhibit B**)
3. Perform in line with comparable pension plans on a risk-adjusted basis
4. Match or exceed the assumed discount rate used by the plan's actuary

Total fund, asset class, and individual investment manager performance will be compared to appropriate passive market indices and a universe of peers. The performance benchmarks used may differ from those outlined in **Exhibit B**. Investment performance is reviewed and analyzed over multiple time periods allowing for greater variance from this policy's objectives over periods shorter than three years for each investment fund and over five years for the total fund.

## Asset Allocation Strategy

Please see **Exhibit B** for Asset Allocation Targets and Allowable Ranges Around Target Allocations.

Using asset allocation studies based on long-term historical capital market performance, the Special Fiduciary finds the target mixture of asset classes in **Exhibit B** appropriate to produce the desired performance at acceptable fluctuation levels over time for the portfolio.

The Asset Allocation schedule shown in **Exhibit B** of this Investment Policy provides for allowable ranges within each asset class, or strategy, in order to provide investment managers some flexibility in asset allocation to meet the goals of this Investment Policy.

The Special Fiduciary recognizes that a rigid asset allocation would be both impractical and, to some extent, undesirable under various potential market conditions. Therefore, the allocation of the Trust's total assets may vary from time to time within the ranges listed in **Exhibit B**, without being considered an exception to these operating guidelines.

The Special Fiduciary, with the counsel of the investment advisor, may engage active investment managers, whose goals over time are to outperform respective indices, or passive managers who seek to replicate the return of corresponding indices.

## Investing Strategies and Vehicles

The Trust may invest in the following investment vehicles:

- Separately managed accounts
- Mutual funds
- Exchange-Traded Funds (ETFs)
- Commingled funds
- Collective investment trusts
- Limited Partnerships
- Foreign exempted companies

### **Rebalancing**

Because different asset classes will perform at different rates, the Special Fiduciary will closely watch the asset allocation shifts caused by performance in the Trust. The Special Fiduciary will review the relative market values of the asset segments and will generally rebalance the asset classes which are farthest short of their target allocations in this Policy. Rebalancing will typically occur as of any quarter-end at which the allocations reach a point where they are out of target ranges.

### **Unallocated Cash**

Investment managers performing under this Policy are not expected to accumulate a significant cash position without prior approval of the Special Fiduciary. If the basic investing style of a particular manager includes a routine, temporary use of instruments having a maturity of less than one year, they must inform the Special Fiduciary and agree to the use of that investing style in advance.

## Investment Performance Evaluation and Review

### Frequency of Measurement

The Special Fiduciary will measure investment performance quarterly, or more often, as deemed appropriate.

### Expected Interim Progress Toward Multi-Year Objectives

The Special Fiduciary will generally follow the time horizons set forth in this policy, when making judgments about performance. However, Investment Managers for the Trust should be advised that the Special Fiduciary intends to track their interim progress toward multi-year goals. If the Special Fiduciary finds (or is professionally advised) that performance is sub-standard, then the Special Fiduciary's reviews of such a manager may disregard the time horizon concept for purposes of considering possible actions.

Investment Managers hired by the Special Fiduciary shall generally be expected to outperform an appropriate market benchmark and perform well against a universe of their peers over multi-year time periods.

### Corrective Action Guidelines

Corrective action should be taken as a result of an ongoing investment manager review process. The following are instances where corrective action or termination may be in order:

1. Major organizational changes in a firm, including any changes in portfolio managers, may require a new contract and interview process. Failure on the part of the Investment Manager to notify the Special Fiduciary of such changes is grounds for termination. At all times, communication with the managers should be open and informative. Investment Managers should be willing and able to meet at least annually with the Special Fiduciary.
2. Violation of terms of contract constitutes grounds for termination.
3. Surges in portfolio trading volume.
4. As part of its overall asset allocation strategy, the Special Fiduciary will choose managers with certain styles and approaches to provide portfolio diversification. Therefore, it is critical that managers adhere to the original intent of the Special Fiduciary at the time they are engaged. Any significant changes in investment approach may be grounds for termination.

5. Performance patterns not logically explainable in terms of the published style, or performance out-of-step with manager's style peer group.
6. The manager's performance will be viewed in light of the management firm's assigned investment style and approach, keeping in mind at all times the Trust's diversification strategy as well as other organizational and relationship issues. Decisions to terminate managers are solely within the discretion of the Special Fiduciary.
7. Investment managers may be replaced at any time as part of the overall restructuring of the Plan.
8. Other events or circumstances that are deemed to be in the best interest of Trust, its participants and beneficiaries, or the Plan.

## VII. Policy Adoption

### Singing River Health System Employee's Retirement Plan and Trust Special Fiduciary

Executed the 21st day of May, 2021

Signature: 

Traci M. Christian

Title: Special Fiduciary

## Exhibit A Specific Portfolio Constraints

The following standards apply to all investment portfolios that are separately managed. The Special Fiduciary recognizes that any pooled investment vehicle or mutual fund cannot be subjected to these requirements, except to the extent these distinctions can be incorporated by the Special Fiduciary into their process of selecting such vehicles. Nevertheless, the Special Fiduciary will review investing activities in any pooled investment vehicles utilized, versus the investment policy and, if appropriate, the Special Fiduciary may accordingly decide that a particular pooled/mutual fund has ceased to be suitable.

### Fixed Income

The purpose of domestic and international fixed income investments is to provide liquidity and a highly predictable, dependable source of income. Fixed instruments should reduce the overall volatility of the Trust's assets and provide a deflation hedge.

The following standards are for the separately managed fixed income accounts and are not monitored by the Special Fiduciary. Each manager is expected to confirm receipt of the standards in writing.

#### 1. Quality Standards (not applicable to a portfolio which is specifically committed to invest in High Yield Bonds)

- Minimum: Must be rated investment-grade by at least one major rating agency
- Maximum: No manager's portfolio allocation to the lowest investment-grade category (BBB-rated) shall be greater than the bench index allocation plus 3%
- Weighted average (target) quality for each portfolio manager: A-rated or better

#### 2. Duration Standards

- Maximum/Minimum: Portfolio modified duration should not be greater than (+/-) 25% of benchmark index

#### 3. Diversification Standards

- Single security issue: Maximum 5%



- Single Sector Allocation (level 2): Maximum benchmark index allocation (+/-) 20% (except U.S. Government securities)
- Non-Index Sector Allocation (level 2): Maximum allocation to non-index sectors shall be limited to 30% of the manager's portfolio market value

#### **4. Liquidity Standards**

- Original issuance for corporate securities must be at least \$300 million, unless the Special Fiduciary approves the investment in advance.
- Securities that are thinly traded and therefore cannot be considered liquid are not permitted without prior specific permission from the Special Fiduciary.

#### **5. Prohibited Categories for all investment managers, unless authorized by the Special Fiduciary**

- Derivative instruments including, but not limited to options, futures, swaps, structured finance products, etc. in which either the inherent structure of the instrument or the nature of the transaction is leveraged, i.e. creates market exposure in excess of the market value of the underlying assets.
- Issuer affiliated with the investment manager

#### **6. Frequency of Reporting to Special Fiduciary**

- At least quarterly

### **Equities**

#### **1. Diversification Standards**

Diversification for the total investment program is achieved through manager selection. The Special Fiduciary recognizes the value of including concentrated, high-conviction managers within the total equity allocation. Appropriately sizing each manager's allocation creates the desired diversification across the overall program.

Should any single manager's designated allocation be greater than 10% of the total program, they shall adhere to the following standards unless granted written exception

authorized by the Special Fiduciary. Such designated managers will be explicitly notified and will submit written acknowledgement of adherence to these standards.

- Market value of any single holding not to exceed 7.5% of the manager's allocation, without obtaining permission from the Special Fiduciary
- Maximum sector concentration: greater of 2.5x benchmark, or 20% of current portfolio market value

## 2. Liquidity Standards

- Traded on one or more national and/or international exchanges (NASDAQ, National Market, or quoted in the NASDAQ Bid/Asked section)
- \$100 million minimum market capitalization
- Managers should maintain appropriate procedures to determine their liquidity exposure to an individual security holding on a **firm wide basis**, i.e., awareness and documentation of what percent of normal trading volume is represented by their total holding for the Plan in a particular issue.

## 3. Proxy Voting

- Unless specifically directed by the Special Fiduciary, the managers have sole responsibility for voting proxies of shares of companies in the portfolio in a manner consistent with the best interests of the Plan.
- Managers are required to vote proxies on every issue that could be reasonably expected to have a significant impact on the value of the investment.
- Managers are required to keep a record of all proxy votes and upon request report to the Special Fiduciary at least annually.

## 4. Prohibited Categories for all Equity managers, unless authorized by the Special Fiduciary

- Issuer related to the investment manager,
- Restricted or letter stock,
- Private placement debt, and
- Derivative instruments that create or add leverage.

## Alternatives

These apply only to investment managers that have been authorized by the Special Fiduciary or previous Plan Trustees and use these categories as inherent elements within their investment programs. Examples of investment managers that may qualify for this authorization include hedge funds, real estate managers, commodities managers, and private equity managers.

1. Short sales, or “naked” positions should be limited to only within investments in hedge funds.
2. Margin purchases, which create leverage or market exposure in excess of the market value of underlying assets, and which create asymmetric return patterns that could result in substantial losses, shall be limited to include only purchases made in hedge funds.
3. Real Estate investments shall be limited to pooled investments that are professionally managed to include REITs, timberland or other institutional classes of real estate portfolios.
4. Distressed debt securities that trade at a significant discount to the principal amount of the obligation shall be limited to include only specific investment manager mandates.
5. Private partnership investments shall be limited to include only investments in institutionally managed strategies that may include real estate, distressed debt, private equity, timberland and hedge funds.
6. Fully collateralized securities lending programs are not considered margin purchases and may be utilized, subject to a separate Supplemental Agreement approved by the Special Fiduciary.

### Exhibit B Asset Allocation and Allowable Ranges around Target

In Force as of: ???

Deleted: 3/1/2021

The Asset Class benchmarks will be used for the construction of the Policy Benchmark, but individual managers may be measured against a different benchmark.

Asset Class	Policy Benchmark	Policy Target	Min	Max
Cash Equivalent	ICE BofA 3-Month T-Bill	2%	0%	10%
US Intermediate Fixed Income	Blmb. Barc. Govt/Credit	12%	5%	40%
<del>Bank Loans / Direct Lending</del>	<del>S&amp;P/LSTA Leveraged Loan</del>	0%	0%	0%
High Yield / Bank Loans	Bloomberg Corp High Yield	4%	0%	15%
<b>Total Debt Securities</b>		<b>18%</b>		
US Large Cap Equities	S&P 500	15%	5%	25%
US Mid Cap Equities	Russell Midcap	13%	5%	25%
US Small Cap Equities	Russell 2000	11%	5%	20%
Real Estate Securities (REITs)	FTSE NAREIT All REITs	4%	0%	10%
International Developed	MSCI EAFE	12%	0%	20%
<del>International Small Cap</del>	<del>MSCI World ex US Small Cap</del>	0%	0%	0%
Emerging Markets Equities	MSCI Emerging Markets	7%	0%	15%
<b>Total Equity Securities</b>		<b>62%</b>		
Hedge Funds	DJCS Multi-Strategy	6%	0%	10%
<del>Distressed Securities</del>	<del>HFN-Distressed</del>	0%	0%	0%
Global Macro	Global Hedge Fd Ind (HFRI)	5%	0%	10%
Timberland	Global Hedge Fd Ind (HFRI)	5%	0%	10%
Direct Real Estate	NCREIF Property	4%	0%	10%
<b>Total Alternative Securities</b>		<b>20%</b>		
<b>Total Portfolio</b>		<b>100%</b>		

Historical Asset Allocation

Asset Class	Amended Mar 21	Amended Jul 19	Amended Apr 18	Amended June 16	Amended June 14	Amended Dec 06	Amended Jan 01	Amended Jan 99	Amended Nov 96	Amended Jan 94
Cash Equivalent	2%	2%	2%							
US Intermediate Fixed Incon	12%	17%	17%	24%	15%	10%	30%	35%	40%	50%
Bank Loans / Direct Lending		1%	1%	1%	5%					
High Yield	4%	6%	6%	5%	5%	10%				
<b>Total Debt Securities</b>	<b>18%</b>	<b>26%</b>	<b>26%</b>	<b>30%</b>	<b>25%</b>	<b>20%</b>	<b>30%</b>	<b>35%</b>	<b>40%</b>	<b>50%</b>
US Large Cap Equities	15%	12%	12%	10%	10%	10%	40%	40%	50%	50%
US Mid Cap Equities	13%	12%	12%	10%	10%	10%				
US Small Cap Equities	11%	12%	12%	10%	10%	15%	15%	15%		
Real Estate Securities (REITs)	4%	4%	4%	3%	3%					
International Developed	9%									
International Small Cap	3%	9%	9%	5%	5%	10%	10%	10%	10%	
Emerging Markets Equities	7%	3%	3%	2%	2%	5%				
<b>Total Equity Securities</b>	<b>62%</b>	<b>52%</b>	<b>52%</b>	<b>40%</b>	<b>40%</b>	<b>50%</b>	<b>65%</b>	<b>65%</b>	<b>60%</b>	<b>50%</b>
Long / Short Equity				8%	8%	15%				
Hedge Funds	6%	5%	5%	3%	8%					
Distressed Securities		2%	2%	3%	3%					
Commodities				4%	4%	5%	5%			
Global Macro	5%	6%	6%	5%	5%					
Timberland	5%	5%	5%	3%	3%					
Direct Real Estate	4%	4%	4%	4%	4%	10%				
<b>Total Alternative Securities</b>	<b>20%</b>	<b>22%</b>	<b>22%</b>	<b>30%</b>	<b>35%</b>	<b>30%</b>	<b>5%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>

